

MR. KOCH TELLS US WHY LUMBER IS NOT CHEAPER

The following, from the talk given on Tuesday of last week before the members of the club and their ladies and guests by President I. B. Koch of the club, who also is vice-president and manager of the Arizona Lumber & Timber Co., of this city, contains many interesting facts about the lumber industry, and answers many questions—one, in particular, concerning lumber prices—that many of us have asked.

Fellow Rotarians and Friends:

It is a genuine pleasure to see you gathered about the camp table, and particularly to have you as our guests. One of the principles of Rotary is getting acquainted with the other fellow's business troubles, as well as enjoying with him his business pleasures. Now it is not my intention to burden you with our troubles, but I feel that each one of us has his own problems to solve and his difficulties to overcome, and I am going to ask you to bear with me for a few moments while I tell you some few things about the lumber industry, particularly as relates to northern Arizona.

You should know that in the days when George Washington and his men cut down pine trees in the New England states to build fortifications for themselves, America had 822 billion acres of timber. Five sixths of this enormous stand is now gone, partly due to destruction by fire, and partly by the logger or due to the clearing of the land for agricultural purposes. You should know that we are now cutting 26 billion cubic feet of timber a year, and producing by reforestation and natural growth approximately six billion feet, which would make a net loss of 20 billion feet per annum in our timber reserve. This is indeed a very serious situation and one which we should all ponder over. However, personally I have great faith in the inventive mind of Americans and feel that a suitable substitute for wood will be found long before our timber supply is exhausted.

Arizona possesses in standing timber under government control, about 12 billion feet, and there are approximately 350 million feet in private holdings. The state itself with its 46,000 acres of timber lands, owns approximately 230 million feet, making a grand total of about 18 billion feet for the Arizona stand. There are

about 31 mills in Arizona, producing approximately 160 million board feet per annum. However, 95 per cent of this 160 million feet is produced by the mills at Williams, Cliffs, Cooley and Flagstaff. On the present market the approximate value of this output is \$4,800,000.

The first mill of any importance in Arizona was built in Flagstaff in November 1881 by Edward Ayer. It was taken over two years later by the Riordan brothers and has operated ever since as the Arizona Lumber & Timber Co. It is generally conceded to be the oldest manufacturing concern in Arizona. It was built primarily for the purpose of producing ties for the construction of the Atlantic & Pacific Railway. Many of these ties were, however, hewn ties, and were cut in the timber mainly along the right of way before the railroad ran through Flagstaff. If you will ride from Belmont to this camp you will find along in sections 15 and 16 evidences of where these ties were cut.

You should know also that practically the entire Coconino forest is over-matured and when driving through the timber, if you will pay attention to the tree tops you will find many so-called spike tops, that is where the top of the tree is apparently dying. This is one of the surest indications of the over-mature timber and it indicates that when the tree is opened up a big percentage of rot will be found.

A few moments ago I mentioned the fact that the approximate value of the output of the Arizona mills is in the neighborhood of five million dollars and that 95 per cent of this was produced right here close to Flagstaff. In view of the fact that government statistics show that the lumber industry as a whole for the past twelve years has not been a profitable undertaking, it would mean that practically this entire amount of five million dollars is expended pretty close to your own town of Flagstaff. You should know also that the U. S. government and the University of Arizona own and control the bulk of this timber, and that the public is pretty well guarded against profiteering by the lumber mills through the guardians which Uncle Sam has given us in his forestry department. You should know that when we make application for the purchase of timber and are finally awarded a contract, which by the way is open to all bona fide bidders, one of the provisions in the contract which we sign is that the price per thousand feet will be so much, and this price is arrived at not by what we feel or say we can afford to pay, but at a rate per thousand fixed by the forestry department after a careful survey of the timber and ground conditions, railroad expense, etc., and based upon what the department feels the operator can afford to pay and at the same time insure for the operator a fair return on his investment, which fair return is supposed to be about six per cent. However, there are so many unforeseen conditions that arise in sawmill operating, that government statistics and internal revenue reports show that the lumber industry as a whole during the past twelve years has not averaged two per cent on the money invested. In fact, the statement was made to me by a well-informed party the other day that 95 per cent of the lumber companies in the northwest are bankrupt today. This is a sad condition in which one of the principal industries of the country finds itself, and is quite in contrast with the general opinion so often expressed by people to the effect that the lumber business is a gold mine.

Please bear in mind that this general opinion does not rest in the minds of the producer or the retailer or the manufacturer, but the general public stands aghast at the price that is asked for a clear board and this is due entirely to the fact that they do not appreciate that but 4% or 1 board in every hundred is clear and of this grade, and that the balance, or 96 per cent is made up of factory plank, common, culls, etc., the majority of which grades are being sold today below the cost of production.

You should know too that the average age of the pine tree that you look at here about you is from two to four hundred years, and if you wish to satisfy yourself as to the age of any particular tree, just count the rings in the old stumps and figure one year for each ring. That will give you the age, and when you find a ring which is hardly discernible you will know that that was a lean year in moisture, whereas the heavy rings indicate bountiful moisture, warmth and generally favorable growing conditions.

I do not wish to weary you with too much detail regarding the lumbermen's affairs, but you should know that the mills in northern Arizona with their production of 160 million feet, employ about 2000 souls,

with corresponding dependents of another 4000, making a total of about 6000 souls in all, directly dependent on the lumber mills for their existence. What benefit the merchants and others in the vicinity of these mills derive from their existence is best known to you. A payroll of between two and two and a half million dollars per annum is bound to be of considerable benefit to the communities in which it is expended.

These mills in northern Arizona operate about 170 miles of their own track, each one maintaining a complete railroad organization with equipment of approximately 15 to 16 locomotives and 300 logging cars.

The state and county taxes paid by these mills approximate \$100,000 per annum. You should know that they pay for timber purchased from the state and government approximately \$400,000 per annum, and that a considerable percentage of this goes to the state for the use of the university at Tucson, and a proper percentage for the building and maintenance of roads in the county. Of the millions of dollars paid out by the lumber in-

dustry in northern Arizona, approximately 54 per cent is pay roll, and the balance is for supplies purchased largely right here at home. Your water account in Flagstaff is increased yearly by the three lumber mills by between 15 and 16 thousand dollars.

The foregoing figures are based on the operations at full production and are approximately correct. Full production is one of the greatest essentials to the success of the lumber operator, and reduced production and enforced shut-downs, by reason of the terrific overhead expense which is always existent in the lumber business, soon eat up whatever profit might be derived from active operations.

I trust that you will be able to remember some of the figures that I have given you, and that you will appreciate the magnitude and value of the lumber industry in northern Arizona and what it means to this section. Let us hope that conditions throughout the country will permit our mills to operate to full capacity for many years.

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"Y" CONFERENCE HERE NEXT WEEK

An "Older Boys" conference will be held in Flagstaff under the auspices of the Y. M. C. A. on Friday and Saturday, October 6 and 7. The theme of the conference will be "Making Life Count."

The program begins at four o'clock Friday, with the registration of delegates and assignment to homes. There will be about 30 out-of-town delegates and the Y. M. C. A. is asking entertainment for them in private homes—lodging Friday and Saturday nights, breakfast Saturday and Sunday mornings. All who will volunteer this service are asked to notify Tom L. Rees.

At six, Friday, there will be a banquet at the old Presbyterian church, to which all are invited. Plates will be \$1 each and reservations should be made the day before.

Herbert L. Crate of San Antonio, will be principal speaker at the banquet.

On Saturday the program begins at eight in the morning, with leaders' breakfast followed at nine by song service, devotionals and reports, and at 10:30 by an address on the needs of boy life in the southwest, by H. P. Demand of Denver, which will be followed by general discussion. In the afternoon at two there will be singing and an address by Mr. Demand on Christian citizenship training. At 7:30 that night there will be another song service and an address by Mr. Crate, and closing ceremony by W. H. Day.

MCGONIGLE FURNISHES BATHS FOR EMPLOYEES

The McGonigle Lumber & Improvement Co. are now operating their saw mill at Riordan night and day, to keep up with orders.

The company recently put in an electric light plant for both the mill and the yard and have installed shower bath rooms adjacent to the mill for the use of employees. This latter innovation is proving exceedingly popular with the men.

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